

MEMORANDUM

To: Parties to PSB Docket No. 5980 (investigation establishing EEU)
Parties to PSB Docket No. 7081 (investigation into transmission planning)
Attached E-mail Service List

From: Susan M. Hudson, Clerk of the Board

Re: Process to Consider Changing EEU Model and Notice of August 9 Workshop

Date: July 13, 2007

The electric Energy Efficiency Utility ("EEU") has been in operation since March, 2000. The Public Service Board ("Board") has twice conducted a competitive bidding process to select an entity to serve as the EEU under a series of three-year contracts with the Board.¹ The current contract ends December 31, 2008.

In the Board's role overseeing the electric EEU, it has identified some aspects of the program's overall structure that may require modification in light of experience and changing circumstances.² However, changing the EEU's structure was the subject of much debate during the recent legislative session, and the Board forbore from initiating a discussion regarding the issues it has identified while that debate was ongoing.

Now that policymakers have finished their consideration of these issues for this year, the Board has determined that, in order to carry out its responsibilities under 30 V.S.A. §§ 209(d) and (e), the Board should convene a working group regarding the electric EEU's structure. The Board's goal is for the working group to complete its

¹The Memorandum of Understanding approved by the Board in its September 30, 1999, Order in Docket 5980 provided that the Board's initial contract with the entity serving as the EEU would be for three years. That initial contract was renewed for an additional three years (as contemplated in the original request for proposals), and the Board has continued to manage the EEU program on a three-year contract cycle.

²See the attached task statement for more information about these aspects.

discussions in time to enable the Board to implement any improvements that the Board has the authority to make, at the end of the current EEU contract cycle.³

Because significant changes are much easier to implement at the end of the EEU contract period and typically require lead time, the working group must proceed expeditiously. As a result, the Board has asked Ann Bishop, Chief Economist, and Ed McNamara, Staff Attorney/Environmental Analyst, to hold a workshop beginning at 9:30 a.m. on Thursday, August 9, 2007, to begin the discussion. The workshop will be held in the Board's Third Floor Hearing Room, Chittenden Bank Building, 112 State Street, Montpelier, VT. An agenda for the workshop is attached. The Board has also asked Ms. Bishop and Mr. McNamara to make every effort to conclude the working group's discussions by the end of this calendar year.

The Board has given considerable thought to improving the current electric EEU structure. With this goal in mind, the Board has developed the attached draft task statement. Parties are asked to review this draft and to file written comments on it on or before August 3, 2007.⁴ Comments may include additional areas that may need improvement or any other recommended changes. All comments that we receive electronically will be posted on the Board's website at www.state.vt.us/psb/EEU/WorkingGroup/main.htm. The task statement will be finalized after the August 9, 2007, workshop.

Also at the August 9, 2007, workshop, parties will begin to discuss the following "big picture" structural issues:

- What structural model (some examples of which are described in an attachment to this memorandum) should the EEU program follow in Vermont?
- What entities should have a role in the structural model for the EEU program, and what should those roles be?
- What structural aspects of the current model work well and should be preserved in any new model?

In order to help facilitate that discussion, the Board has attached brief descriptions of some possible structural models, along with links to additional information about some of them. Structural models can be thought of as ranging along a continuum from less to more direct governmental involvement in delivering the energy efficiency services; the attached descriptions are arranged roughly along that continuum. However, these descriptions are not intended to be fully developed options. There are many possible variations to each model, and many issues related to the EEU program structure are not

³It is possible that some desired structural changes could not be made without new legislation; if that situation arises, the Board would discuss those issues with the legislature in its 2008 session.

⁴Parties should file one paper copy of their comments with the Clerk of the Board, and e-mail their comments to the attached e-mail service list.

even addressed in the attached descriptions.⁵ Nevertheless, the Board intends that these brief descriptions can serve as a foundation for an initial discussion of pros and cons of the various models. That initial conversation may be sufficient to eliminate some of the models from further consideration, thereby enabling additional discussion to focus on more promising models.

Therefore, parties should be prepared to discuss pros and cons of the various models, when they are already known, or to identify additional information needs about particular models, at the August 9, 2007, workshop. Parties are also welcome to propose consideration of additional structural models. It would be helpful if any party wishing to add to the list of models being considered would include a brief description of that model in its written comments.

If parties wish to express a preference for a particular model at this time, they are welcome to include those recommendations in their written comments. However, it is not necessary to do so; parties will have an opportunity to provide recommendations during the ensuing process.

The Board has also considered the question of how the EEU should participate in the working group. The Board has generally restricted Efficiency Vermont's participation in Board proceedings to technical support and comments on the effects of issues and options under consideration on Efficiency Vermont's operations.⁶ However, the Board believes it would be helpful to remove this restriction for the working group, because the discussion will focus on a possible fundamental change in the EEU program structure, and it would be extremely valuable to hear the operator's perspective on the possible improvements. Removing this restriction would provide Vermont Energy Investment Corporation ("VEIC"), the entity serving as the EEU, with the opportunity to participate in activities related to this topic in the same manner as any other party, including making whatever policy recommendations it chooses regarding the EEU program structure. Before making a final decision on this issue, the Board would like to provide parties with an opportunity to comment on this proposed approach. Accordingly, the Board invites parties to address this proposed approach to VEIC's participation in their written comments.

Finally, parties filing comments and participating in the working group should not feel constrained by the structure created by the Memorandum of Understanding approved by the Board in its September 30, 1999, Order in Docket 5980; this workshop is expressly to consider whether the structure should be adapted to reflect lessons learned and changed real-world circumstances. Parties to Docket 5980 are hereby notified that this workshop

⁵These include a variety of legal, financial and operational issues, as well as any issues associated with transitioning to a new model.

⁶The reason the Board restricted Efficiency Vermont's participation was to avoid even the perception of a conflict of interest resulting from the Board's contractual relationship with Efficiency Vermont.

may lead to a process that could result in modifications to the terms of the Memorandum of Understanding approved by the Board in that docket. The Board encourages parties to think creatively about the best possible model for Vermont's electric EEU program, even if such a model would require legislative changes to implement.